

# House File 2038 - Introduced

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BY ISENHART

## A BILL FOR

1 An Act relating to Iowa's landlord and tenant law by amending  
2 requirements for rental deposits, providing for the  
3 imposition of punitive damages, and including applicability  
4 provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 562A.12, subsection 2, Code 2009, is  
2 amended to read as follows:

3 2. All rental deposits shall be held by the landlord  
4 for the tenant, who is a party to the agreement, in a bank  
5 or savings and loan association or credit union which is  
6 insured by an agency of the federal government. Rental  
7 deposits shall not be commingled with the personal funds of  
8 the landlord. Notwithstanding the provisions of chapter 543B,  
9 all rental deposits may be held in a trust account, which  
10 may be a common trust account and which may be an ~~interest~~  
11 bearing interest-bearing account. Any interest earned on  
12 a rental deposit during the first ~~five~~ three years of a  
13 tenancy shall be the property of the landlord. Beginning  
14 with the fourth year, rental deposits shall be held in an  
15 interest-bearing account and the tenant shall accrue interest  
16 on a rental deposit held by a landlord at a rate of five percent  
17 per annum, compounded annually.

18 Sec. 2. Section 562A.12, subsection 3, unnumbered paragraph  
19 1, Code 2009, is amended to read as follows:

20 A landlord shall, within thirty days from the date of  
21 termination of the tenancy and receipt of the tenant's mailing  
22 address or delivery instructions, return the rental deposit and  
23 any interest accrued by the tenant under subsection 2 to the  
24 tenant or furnish to the tenant a written statement showing  
25 the specific reason for withholding of the rental deposit or  
26 any portion thereof and return any interest accrued by the  
27 tenant under subsection 2. Interest accrued by a tenant under  
28 subsection 2 is not part of the rental deposit for purposes  
29 of a landlord withholding an amount for damages under this  
30 subsection. If the rental deposit or any portion of the rental  
31 deposit is withheld for the restoration of the dwelling unit,  
32 the statement shall specify the nature of the damages. The  
33 landlord may withhold from the rental deposit only such amounts  
34 as are reasonably necessary for the following reasons:

1 Sec. 3. Section 562A.12, subsections 4 through 7, Code 2009,

2 are amended to read as follows:

3     4. A landlord who fails to provide a written statement  
4 within thirty days of termination of the tenancy and receipt  
5 of the tenant's mailing address or delivery instructions shall  
6 forfeit all rights to withhold any portion of the rental  
7 deposit. If no mailing address or instructions are provided  
8 to the landlord within one year from the termination of the  
9 tenancy the rental deposit and any interest accrued by the  
10 tenant under subsection 2 shall revert to the landlord and  
11 the tenant will be deemed to have forfeited all rights to the  
12 rental deposit and accrued interest.

13     5. a. Upon termination of a landlord's interest in the  
14 dwelling unit, the landlord or an agent of the landlord shall,  
15 ~~within a reasonable time~~ thirty days, transfer the rental  
16 deposit and any interest accrued by the tenant under subsection  
17 2, or any remainder after any lawful deductions to the  
18 landlord's successor in interest and notify the tenant of the  
19 transfer and of the transferee's name and address or return the  
20 deposit and any interest accrued by the tenant under subsection  
21 2, or any remainder after any lawful deductions to the tenant.

22     b. Upon the termination of the landlord's interest in  
23 the dwelling unit ~~and compliance with the provisions of this~~  
24 ~~subsection~~, the landlord shall be relieved of any further  
25 liability with respect to the rental deposit.

26     6. Upon termination of the landlord's interest in the  
27 dwelling unit, and notwithstanding the landlord's failure to  
28 comply with the requirements of subsection 5, the landlord's  
29 successor in interest shall have all the rights and obligations  
30 of the landlord with respect to the rental deposits, except  
31 that if the tenant does not object to the stated amount within  
32 twenty days after written notice to the tenant of the amount of  
33 rental deposit being transferred or assumed, the obligations  
34 of the landlord's successor to return the deposit shall be  
35 limited to the amount contained in the notice. The notice  
1 shall contain a stamped envelope addressed to the landlord's

2 successor and may be given by mail or by personal service.

3     7. The ~~bad-faith~~ bad-faith retention of a deposit  
4 by a landlord, ~~or~~ any portion of the rental deposit, or  
5 any interest accrued by the tenant in violation of this  
6 section shall subject the landlord to, in addition to actual  
7 damages, punitive damages not to exceed ~~two hundred one~~  
8 thousand dollars in addition to actual damages or two times the  
9 amount of actual damages, whichever is greater.

10     Sec. 4. Section 562A.21, subsection 4, Code 2009, is amended  
11 to read as follows:

12     4. If the rental agreement is terminated, the landlord  
13 shall return all prepaid rent, and security, and accrued  
14 interest recoverable by the tenant under section 562A.12.

15     Sec. 5. Section 562A.23, Code 2009, is amended by adding the  
16 following new subsection:

17     NEW SUBSECTION. 1A. A landlord's bad-faith failure to  
18 supply running water, hot water, or heat, or essential services  
19 may, in addition to the damages or costs recoverable under  
20 subsection 1, subject the landlord to punitive damages not to  
21 exceed one thousand dollars or two times the amount of damages  
22 or costs under subsection 1, whichever is greater.

23     Sec. 6. Section 562A.25, subsection 2, Code 2009, is amended  
24 to read as follows:

25     2. If the rental agreement is terminated, the landlord  
26 shall return all prepaid rent, and security, and accrued  
27 interest recoverable under section 562A.12. Accounting for  
28 rent in the event of termination or apportionment is to occur  
29 as of the date of the casualty.

30     Sec. 7. Section 562A.26, Code 2009, is amended to read as  
31 follows:

32     **562A.26 Tenant's remedies for landlord's unlawful ouster,**  
33 **exclusion, or diminution of service.**

34     1. If the landlord unlawfully removes or excludes the tenant  
35 from the premises or willfully diminishes services to the  
1 tenant by interrupting or causing the interruption of electric,

2 gas, water, or other essential service to the tenant, the  
3 tenant may recover possession or terminate the rental agreement  
4 and, in either case, recover the actual damages sustained by  
5 the tenant and reasonable attorney's fees. If the rental  
6 agreement is terminated, the landlord shall return all prepaid  
7 rent, and security, and accrued interest.

8     2. In addition to the actual damages recoverable under  
9 subsection 1, if a landlord's actions are in bad faith, the  
10 landlord may be subject to punitive damages not to exceed one  
11 thousand dollars or two times the amount of actual damages,  
12 whichever is greater.

13     Sec. 8. Section 562A.36, subsection 2, Code 2009, is amended  
14 to read as follows:

15     2. If the landlord acts in violation of subsection 1  
16 of this section, the tenant may recover from the landlord  
17 the actual damages sustained by the tenant and reasonable  
18 attorney's fees, and has a defense in action against the  
19 landlord for possession. In addition to actual damages and  
20 reasonable attorney's fees, the landlord may be subject to  
21 punitive damages not to exceed one thousand dollars or two  
22 times the amount of actual damages, whichever is greater. In  
23 an action by or against the tenant, evidence of a ~~good~~  
24 faith good-faith complaint within one year prior to the  
25 alleged act of retaliation creates a presumption that the  
26 landlord's conduct was in retaliation. The presumption does  
27 not arise if the tenant made the complaint after notice of a  
28 proposed rent increase or diminution of services. Evidence  
29 by the landlord that legitimate costs and charges of owning,  
30 maintaining, or operating a dwelling unit have increased shall  
31 be a defense against the presumption of retaliation when a  
32 rent increase is commensurate with the increase in costs and  
33 charges. "*Presumption*" means that the trier of fact must find  
34 the existence of the fact presumed unless and until evidence is  
35 introduced which would support a finding of its nonexistence.

1     Sec. 9. APPLICABILITY. Notwithstanding section 562A.37,

2 this Act applies to rental agreements entered into, extended,  
3 or renewed on or after the effective date of the Act.

4 EXPLANATION

5 This bill amends several provisions of Iowa's landlord  
6 and tenant law. Current Code section 562A.12, subsection 2,  
7 provides that interest earned on a rental deposit during the  
8 first five years of a tenancy is the property of the landlord.  
9 The bill reduces that time period from five years to three  
10 years. The bill also provides that beginning with the fourth  
11 year, a rental deposit must be held in an interest-bearing  
12 account, and the tenant accrues interest on the rental deposit  
13 at a rate of five percent per annum, compounded annually.  
14 The bill provides that interest accrued by a tenant is not  
15 considered part of the rental deposit for purposes of a  
16 landlord withholding an amount for damages to the property.  
17 The bill makes several changes to Code chapter 562A to require  
18 landlords to return any accrued interest belonging to the  
19 tenant.

20 The bill allows tenants, in certain actions against a  
21 landlord, to recover punitive damages in an amount not to  
22 exceed \$1,000 or two times the amount of actual damages,  
23 whichever is greater. Such punitive damages may be recoverable  
24 by the tenant in actions relating to a landlord's bad-faith  
25 retention of a deposit or interest accrued by the tenant, a  
26 landlord's bad-faith failure to supply running water, hot  
27 water, heat, or essential services, a landlord's bad-faith  
28 ouster, exclusion, or diminution of service, or a landlord's  
29 retaliatory action under Code section 562A.36.

30 The bill applies to rental agreements entered into,  
31 extended, or renewed on or after the effective date of the  
32 bill.